

## ISSUE

Does a nonprofit organization that develops, promotes, and governs a sport for individuals under 18 years of age in a particular state, under the circumstances described below, qualify for exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code?

## FACTS

The organization, which otherwise qualifies for exemption under section 501(c)(3) of the Code, was formed to develop, promote, and regulate a sport for junior players, and to promote sportsmanlike competition for junior players in a particular state. The organization is comprised of affiliated individual associations, clubs, leagues, and teams. Each club may be comprised of any number of teams. Each team, represented by one coach, votes to elect one person from its club to be a member of the organization for two years.

The organization organizes local and state-wide competition for individuals under 18 years of age; promulgates rules; organizes officials; and presents seminars for players, coaches, and referees. The organization provides a framework for protests, appeals, and procedures. It also distributes a newsletter, and otherwise encourages the growth of the sport throughout the state.

## LAW AND ANALYSIS

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes the advancement of education and the promotion of social welfare by organizations designed to combat juvenile delinquency.

Trusts created for the purpose of promoting sports for children have been upheld as charitable on the basis of either combatting juvenile delinquency or advancing education. Restatement (Second) Trusts (1959), section 374(n); IV Scott on Trusts (3d ed. 1967), section 374-6A; Bogert, Trusts and Trustees (2d ed. 1964), section 379.

By developing, promoting, and regulating a sport for individuals under 18 years of age, under the circumstances described above, the organization combats juvenile delinquency by providing a recreational outlet for the young people. See Rev. Rul. 65-2, 1965-1 C.B. 227, which provides, in part, that an

organization that is organized and operated for the purpose of teaching a particular sport to children by holding clinics conducted by qualified instructors and by providing free instruction, equipment, and facilities is combatting juvenile delinquency within the meaning of section 501(c)(3) of the Code.

Additionally, the organization promotes the education of the children by providing a format for educational activities. Thus, its activities are charitable in its generally accepted legal sense.

Rev. Rul. 70-4, 1970-1 C.B. 126, which holds that an organization engaged in promoting and regulating a sport for amateurs is not exempt under section 501(c)(3) of the Code, but is exempt under section 501(c)(4), is distinguishable because that organization directed its activities to all members of the general public without regard to age. The subject organization limits its activities to individuals under 18 years of age.

#### HOLDING

An organization that develops, promotes, and governs a sport for individuals under 18 years of age, under the circumstances described above, qualifies for exemption from federal income tax under section 501(c)(3) of the Code.

#### APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. See sections 1.501(a)-1 and 1.508-1(a) of the regulations. In accordance with the instructions to Form 1023, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.

#### EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 70-4 is distinguished.